

VZCZCXRO9479

PP RUEHAG RUEHAST RUEHDA RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA RUEHLN
RUEHLZ RUEHPOD RUEHROV RUEHSR RUEHVK RUEHYG
DE RUEHBM #0604/01 2121410
ZNR UUUUU ZZH
P 301410Z JUL 08
FM AMEMBASSY BUCHAREST
TO RUEHC/SECSTATE WASHDC PRIORITY 8540
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY
RUEAUSA/DEPT OF HHS WASHINGTON DC PRIORITY

UNCLAS SECTION 01 OF 02 BUCHAREST 000604

SIPDIS
SENSITIVE

E.O. 12958: N/A

TAGS: [ECON](#) [ELAB](#) [EINV](#) [PGOV](#) [SOCI](#) [AMED](#) [RO](#)

SUBJECT: ROMANIAN HEALTHCARE PART 2: PHARMACEUTICAL DEMAND RISING,
BUT ACCESS AND QUALITY REMAIN CONCERNS

REF: A) Bucharest 601

Sensitive but Unclassified; not for Internet distribution.

SUMMARY

¶1. (SBU) As incomes rise in Romania, pharmaceutical consumption is also increasing. Better awareness of useful medications has put pressure on the Government of Romania (GOR) to expand the national drug list and to include more cutting-edge medications. While any pharmaceutical which has been on the EU market for at least one year may be legally sold, even if it is not on the national list, these medications are not covered under the national insurance system. This keeps them out of reach for average Romanians. Breakdowns in the system sometimes leave patients without access to the prescriptions they need at the right time.

¶2. (U) This is the second of a three-part series on healthcare in Romania. Part 1 focused on the public healthcare system, while part 3 will look at the emerging private healthcare market. End Summary.

THE MARKET FOR PHARMACEUTICALS

¶2. (SBU) Romanian pharmaceutical consumption is well below the EU per capita average, which indicates that the market has significant room to grow. However, the cost of prescriptions already accounts for nearly 20% of government health expenditures, leaving little room for expansion absent radical restructuring of the healthcare delivery system. Because healthcare is publicly financed, payment arrears to drug makers on the part of hospitals are not uncommon. Hospitals which do not receive timely reimbursements from the National Insurance House cannot pay distributors, causing distributors to halt shipments. Likewise, when distributors cannot pay pharmaceutical companies, the companies sometimes halt shipments to distributors. This cycle of missed payments creates intermittent drug shortages for key medications.

¶3. (SBU) In a July 23 meeting with EconOff, Romania Country Manager for Merck Sharp and Dohme (MSD), Agata Jakoncic, stated that while the issue of payment arrears has improved this year, this is only because the Government wants to appear responsive to patients in an election year. She expects payment problems to be a continuing issue after the parliamentary elections this fall. The difficulties inherent in working through the state-run system have led some pharmaceutical companies to focus their energies on direct sales to the small private sector and on marketing non-prescription drugs. Still, the pharmaceutical sector is growing despite these challenges. Sales are expected to increase 5-10% in 2008, on top of an 11.2% increase in 2007. Imported drugs make up 80% of the available number of medications but account for only 44% of sales, meaning that most consumers continue to rely on inexpensive, locally-produced generic medications.

¶4. (SBU) Maintained by the Ministry of Health, the national drug list currently contains 2,106 medications which are covered under the state health insurance program. These drugs are reimbursed on a

sliding scale of 100, 90, or 50 percent. Drugs reimbursed at 100 percent include select medicines used to treat serious illnesses such as hepatitis-B and cardiovascular disease. Generics are reimbursed at 90 percent, and most brand name drugs are reimbursed at 50 percent. This structure favors generics over brand names, making it difficult for the branded medications to compete. This helps to explain the high usage of generics in the Romanian market, since they are not only cheaper but are also reimbursed at a significantly higher rate. For drugs not on the list, pharmaceutical companies are forced to offer their own discount deals to consumers if they hope to sell the drugs at all.

15. (SBU) While in theory all of the drugs on the national list are provided at no or reduced cost to any insured consumer, in practice not all patients receive their medications at subsidized prices. Under the existing public health insurance scheme, fixed amounts of insured medications are delivered to each pharmacy, with the pharmacy permitted to seek other additional supplies directly from distributors. Medication is only free or at reduced cost so long as the "insured amount" remains in stock at the pharmacy. When the allotted amount of medication runs out, patients must choose either to pay the market price for the prescription or they may wait until the next official shipment.

16. (SBU) According to Jakoncic, the infrequency with which the national drug list is updated is a significant source of frustration for pharmaceutical companies. Although Romanian law states that the list may be updated as often as once per year, in practice the GOR does so at very irregular intervals. The most recent revision came in July 2008 after having remained static since 2005. Companies are reluctant to sell non-listed drugs because the market for them is much smaller. In addition, Romanian law does not allow a drug to enter the local market unless it has already been on the EU market

BUCHAREST 00000604 002 OF 002

for one year. These barriers to entry mean that, depending on when the list was last updated, some new, life-saving drugs may not be available in Romania, despite being widely used elsewhere in the EU.

17. (SBU) Control over the quality and the appropriate dispensing of drugs remains an issue. The sometimes cozy relationships that hospital directors have with drug suppliers and distributors allows for kickbacks and the occasional distribution of second-rate medications. The limited regulation on pharmacies has allowed for an environment where clerical staff will often dispense medication without first consulting a pharmacist. It is not uncommon for pharmacies to have insufficient reference materials to check drug interactions or dosages. The overall lax enforcement of prescription requirements has meant that most prescription medications are relatively easy to acquire from a pharmacy for any paying customer.

COMMENT

18. (SBU) Comment: The pharmaceutical distribution system illustrates some of the worst aspects of Romania's "universal care" medical system. Transparency and predictability are lacking. The infrequently updated national drug list serves as a central gatekeeper, making it difficult for new drugs to enter the market in a timely fashion. In theory, there are no barriers to obtaining any needed medication approved on the list. In practice, the availability at the insured price is unreliable. While the ability to pay cash improves the odds of access to medication, it does not guarantee it. This access remains a very real concern for many Romanians, including those whose lives are seriously endangered if they must miss doses due to temporary supply disruptions. Reforming the public healthcare system to ensure consistent access to medication will be a challenge for Romanian policymakers and provides an opening for private health insurance. End Comment.

TAUBMAN